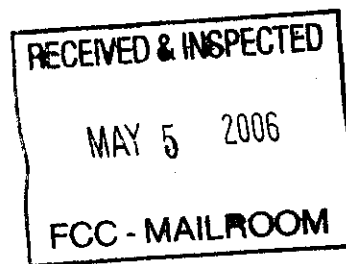




Haute House Entertainment LLC



May 4, 2006

Via Fed-Ex

Office of the Secretary
Federal Communications Commission
Attention: CGB Room 3-B431
9300 East Hampton Drive
Capitol Heights, MD 20743

Dear Sir/Madam:

I am the president of Haute House Entertainment, LLC, which owns and manages a project known as "Upscale TV: Chicago," a locally produced episodic television program which takes a satirical look at the luxury lifestyle. Haute House Entertainment is seeking an exemption from the FCC's closed captioning requirement with respect to Upscale Chicago based upon the undue burden standard. This letter constitutes Haute House Entertainment's petition for exemption in accordance with 47 C.F.R. § 79.1 (f).

Upscale Chicago, which is entering its 4th 8-week term, airs late night Thursdays from 12:30 a.m. to 1:00 a.m. CST on WPWR, a FOX-owned broadcast station in Chicago, Illinois. Upscale Chicago appeals to a young adult audience and is 95% unscripted. Upscale Chicago is currently considered regular programming in what is normally a "paid programming" period on WPWR and Haute House Entertainment contracts with WPWR for eight-week terms. Currently, Haute House Entertainment has completed eight test episodes and has run repeat episodes for the last 32 weeks.

In this letter, I will outline the financial resources of Haute House Entertainment and the resultant strain upon the company imposed by the close captioning requirement. In this letter, we will discuss the specific factors considered by the Federal Communications Commission (FCC) in determining whether the closed captioning requirement imposes an undue burden upon Haute House Entertainment. Those factors are as follows:

1. The nature and cost of the close captioning for the programming.

Attached to this petition is a quotation for close captioning from Teletext Video, a supplier of close captioning in the Illinois market. The cost of providing closed captioning for each episode is \$485.00. Over the course of producing 26 episodes per year, the annual projected cost of furnishing closed captioning is \$12,610. If 36 episodes are produced, the cost is \$ 17,460.

2. The impact on the operation of the provider or program owner.

In order to secure a marketable time slot in the Chicago broadcast market, the original eight test episodes were produced at significant expense – between \$20,000 and \$30,000 an episode. The episodes were produced without sponsorship and with an understanding that the financial losses shared by the partners of Haute House Entertainment would be significant (See attached 2005 partnership tax form). Unfortunately, that initial budget outlay was a one-time arrangement and is not expected to be repeated for fiscal year 2006. The current timeslot (12:30 late nights) is not sufficiently marketable to absorb the cost of episode production at this time. Other costs were not anticipated by Haute House Entertainment but have had to be absorbed, such as contracting to buy airtime at WPWR. To date, the airtime buy has cost Haute House Entertainment an additional \$48,000. Due to the unanticipated airtime buys and a difficult-to-market advertiser timeslot, maintaining a budget and securing sponsorship for the program to continue has fallen below expectations. Our current per episode budget is a subsidized \$3,000 to \$4,000 with post-production staff operating on a delayed payment schedule.

As set forth in the attached documents, Haute House Entertainment earned no revenue for fiscal year 2005 and is currently operating with an insufficient budget for producing further episodes in fiscal year 2006. By analogy, under the FCC's self-implementing exemptions, a closed captioning expenditure to gross revenue ratio exceeding 2% on a per channel basis is sufficient to exempt a video programming provider from the closed captioning requirement. Haute House Entertainment, on the other hand would be required to expend more than its current revenues even allow for captioning, which is economically burdensome.

Some production has continued to produce new episodes for the next eight-week term of Upscale Chicago, which will shortly require Haute House Entertainment's management personnel to make personal loans to the production. Moreover, budgetary constraints are forcing the show to operate in different ways. For instance, instead of five new segments per show, Upscale Chicago will contain two new segments coupled in combination of "already-ran" segments and third-party materials. As a result of this operation and other factors, closed captioning would result in an undue financial burden upon Haute House Entertainment. The reasons are also as follows:

- (1) To continue to produce shows with its currently insufficient budget, Haute House will have to combine new segments with already ran segments, all of which will need to closed captioned.
- (2) The new episodes will utilize numerous segments that have been previously closed-captioned. However, due to the changes in the time code during the assembly, these new episodes will also need to be re-closed captioned.
- (3) Numerous short-term sponsors will require Haute House Entertainment to insert "presented by" sponsor slides in the program. Any change of short-term sponsor will require Haute House Entertainment to close caption a previously closed-captioned episode just to make the sponsorship change.

- (4) Haute House Entertainment is solely responsible for inserting any sponsorship-related billboard or promotion within the body of its show prior to airing. As a result, if any change is made to the body of the show, the resulting program will need to be entirely closed-captioned. This is due to the *fact that WPWR is not responsible for making these sponsorship insertions*. Haute House Entertainment bears the responsibility for inserting billboard sponsors into the body of the program.

Given that the program series is in its infancy and has significant obstacles to remain in production, we ask that the FCC grant this petition.

3. The financial resources of the provider or program owner, including efforts to solicit captioning assistance from the distributors of its programming and the distributors' responses.

The revenue generating operations of Haute House Entertainment consist solely or producing Upscale Chicago and show-related live events. If the program cannot generate a profit on its own, there would be no compelling financial reason to continue production of the show.

Haute House Entertainment's broadcast provider, WPWR-TV, has not offered any financial or technical assistance to Haute House with respect to closed captioning. The parties entered into an Air Time contract on or about March 16, 2006 relative to the broadcast of Upscale Chicago. The agreement is silent on the issue of closed captioning, but both parties assume that Haute House Entertainment is 100% responsible for all production-related affairs, including closed captioning.

4. The type of operation of the provider or program owner.

The nature of Haute House Entertainment's business is television production and event management. Haute House Entertainment has been in business in Illinois since May 2005.

5. Any available alternatives that might constitute a reasonable substitute for closed captioning requirements.

In general, Upscale Chicago tells a story through images, using comedic situations, reaction shots, and visual montages. In addition, descriptive titles and sentences throughout the show convey additional information about the segments.

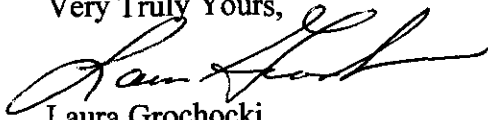
6. Other factors the petitioner deems relevant to the Commission's final determination.

Traditionally, local programming in the Chicago-area is neither supported by the stations themselves nor the financial and advertiser sectors. Most programming slots are filled by syndicated programming contracts, even if the programs are more than ten years old. Upscale Chicago is currently one of only two independently produced programs in the Chicago broadcast market that airs on commercial television. It is a

program that showcases all independent music with an album-cover broadcast of artists at show's end. It is a program that showcases charity events and galas, such as Gen Art or the Driehaus Fashion Awards for deserving fashion design students. Other local programs exist that are station-generated. As an independently produced program, *Upscale Chicago* exhibits true artistic flair and has the latitude to go beyond station-issued programming mores and norms. In the event financial relief is not afforded to Haute House Entertainment by way of a closed captioning exemption, it may be economically impossible for Haute House Entertainment to continue producing *Upscale Chicago*. If the show ends, there would be an artistic void in the Chicago area, since there is no similar program offering this satirical viewpoint and outlet for independent artists and not-for-profit organizations. One of the goals of *Upscale Chicago* is to promote up-and-coming talent in art, music, film, and fashion. In fact, most of the design and editorial talent on the staff of *Upscale Chicago* are still in school or recent graduates. If *Upscale Chicago* cannot survive financially, it is just one more opportunity lost to give artists a chance for much-deserved exposure and rare job experience.

Thank you for your consideration of Haute House Entertainment's petition for exemption from the FCC's closed captioning requirement. Please direct any replies or inquiries you have concerning this matter to the undersigned's attention.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Laura Grochocki", written over a horizontal line.

Laura Grochocki
President
Haute House Entertainment

663

INVOICE

paid Michael
gave check
for \$2M
663

DATE

PAY TO

1900 DRIVE

0611

FAX 312.670.0827

INVOICE NUMBER

AMOUNT \$

INVOICE DATE

MEMO

PAGE

CATEG.

SHIP TO

ACCT.

Harte House Productions

SHIP VIA
SHIP DATE
DUE DATE
TERMS

Plu
1/3/06

picked up
on 1/3/06
@ 11:00AM

CUSTOMER ID

PO NUMBER

PO DATE

OUR ORDER NUMBER

SALESPERSON

12/28/05

ITEM ID/DESCRIPTION

ORDERED

SHIPPED

UNIT

PRICE

NET

TX

1 - Closed Captioned
Beta

Upscale Show #:

\$485.00

\$485.00

SUBTOTAL
TAX
PAYMENTS
TOTAL

\$485.20

U.S. Return of Partnership Income

OMB No. 1545-0099

2005

For calendar year 2005, or tax year beginning _____, ending _____
▶ See separate instructions.

A Principal business activity Television Production	Use the IRS label. Other- wise, print or type.	Name of partnership HAUTE HOUSE ENTERTAINMENT			D Employer identification no. [REDACTED]
B Principal product or service Television Production		Number, street, and room or suite no. If a P.O. box, see the instructions. 440 N MCCLURG CT SUITE 816			E Date business started 3/22/2005
C Business code number [REDACTED]		City or town CHICAGO	State IL	ZIP code 60611	F Total assets (see the instructions) \$ 14,827

G Check applicable boxes: (1) ☒ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return
H Check accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶ _____
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____ **2**

Caution. Include *only* trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

Income	1a Gross receipts or sales	1a	0		
	b Less returns and allowances	1b	0	1c	0
	2 Cost of goods sold (Schedule A, line 8)	2	0		
	3 Gross profit. Subtract line 2 from line 1c	3	0		
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)	4	0		
	5 Net farm profit (loss) (attach Schedule F (Form 1040))	5	0		
	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6	0		
7 Other income (loss) (attach statement)	7	0			
8 Total income (loss). Combine lines 3 through 7	8	0			
Deductions (see the instructions for limitations)	9 Salaries and wages (other than to partners) (less employment credits)	9	0		
	10 Guaranteed payments to partners	10	0		
	11 Repairs and maintenance	11	0		
	12 Bad debts	12	0		
	13 Rent	13	107		
	14 Taxes and licenses	14	0		
	15 Interest	15	0		
	16a Depreciation (if required, attach Form 4562)	16a	1,183		
	b Less depreciation reported on Schedule A and elsewhere on return	16b	0	16c	1,183
	17 Depletion (Do not deduct oil and gas depletion.)	17	0		
	18 Retirement plans, etc.	18	0		
	19 Employee benefit programs	19	0		
	20 Other deductions (attach statement)	20	253,264		
21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20	21	254,554			
22 Ordinary business income (loss). Subtract line 21 from line 8	22	-254,554			

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

▶ Signature of general partner or limited liability company member manager

▶ Date

May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature	Date 4/16/2006	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN [REDACTED]
Firm's name (or yours if self-employed), address, and ZIP code	H & R BLOCK PREMIUM 444 N Michigan Avenue, Ste 470 Chicago State IL ZIP code 60611		EIN ▶ [REDACTED] Phone no. [REDACTED]

Schedule A Cost of Goods Sold (see the instructions)

1	Inventory at beginning of year	1	
2	Purchases less cost of items withdrawn for personal use	2	0
3	Cost of labor	3	0
4	Additional section 263A costs (attach statement)	4	0
5	Other costs (attach statement)	5	0
6	Total. Add lines 1 through 5	6	0
7	Inventory at end of year	7	0
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	0

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4

(iii) ☐ Other (specify method used and attach explanation) ▶

b Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶ ☐

c Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970). ▶ ☐

d Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? . . . ☐ Yes ☐ No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No

If "Yes," attach explanation.

Schedule B Other Information

	Yes	No
1 What type of entity is filing this return? Check the applicable box:		
a <input type="checkbox"/> Domestic general partnership		
b <input type="checkbox"/> Domestic limited partnership		
c <input checked="" type="checkbox"/> Domestic limited liability company		
d <input type="checkbox"/> Domestic limited liability partnership		
e <input type="checkbox"/> Foreign partnership		
f <input type="checkbox"/> Other ▶		
2 Are any partners in this partnership also partnerships?		X
3 During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment		X
4 Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details		X
5 Does this partnership meet all three of the following requirements?		
a The partnership's total receipts for the tax year were less than \$250,000;		
b The partnership's total assets at the end of the tax year were less than \$600,000; and		
c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.		
If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item N on Schedule K-1.		X
6 Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805 and 8813. See the instructions		X
7 Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		X
8 Has this partnership filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
9 At any time during calendar year 2005, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country. ▶		X
10 During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520. See the instructions		X
11 Was there a distribution of property or a transfer (for example, by sale or death) of a partnership interest during the tax year? If "Yes," you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described under <i>Elections Made By the Partnership</i> in the instructions		X
12 Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return ▶		

Designation of Tax Matters Partner (see the instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of
designated TMP ▶Identifying
number of TMP ▶Address of
designated TMP ▶

Schedule K Partners' Distributive Share Items

		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 22)	1	-254,554
	2 Net rental real estate income (loss) (attach Form 8825)	2	0
	3a Other gross rental income (loss)	3a	0
	b Expenses from other rental activities (attach statement)	3b	0
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	0
	4 Guaranteed payments	4	0
	5 Interest income	5	0
	6 Dividends: a Ordinary dividends	6a	0
	b Qualified dividends	6b	0
	7 Royalties	7	0
	8 Net short-term capital gain (loss) (attach Schedule D (Form 1065))	8	0
9a Net long-term capital gain (loss) (attach Schedule D (Form 1065))	9a	0	
b Collectibles (28%) gain (loss)	9b	0	
c Unrecaptured section 1250 gain (attach statement)	9c	0	
10 Net section 1231 gain (loss) (attach Form 4797)	10	0	
11 Other income (loss) (see instructions) Type ▶	11	0	
Deductions	12 Section 179 deduction (attach Form 4562)	12	0
	13a Contributions	13a	0
	b Investment interest expense	13b	0
	c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶	13c(2)	0
d Other deductions (see instructions) Type ▶	13d	0	
Self-Employment	14a Net earnings (loss) from self-employment	14a	-254,554
	b Gross farming or fishing income	14b	0
	c Gross nonfarm income	14c	0
Credits & Credit Recapture	15a Low-income housing credit (section 42(j)(5))	15a	0
	b Low-income housing credit (other)	15b	0
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	15c	0
	d Other rental real estate credits (see instructions) Type ▶	15d	0
	e Other rental credits (see instructions) Type ▶	15e	0
	f Other credits and credit recapture (see instructions) Type ▶	15f	0
Foreign Transactions	16a Name of country or U.S. possession ▶	16b	0
	b Gross income from all sources	16c	0
	c Gross income sourced at partner level Foreign gross income sourced at partnership level		
	d Passive ▶ 0 e Listed categories (attach statement) ▶ 0 f General limitation ▶ Deductions allocated and apportioned at partner level	16f	0
	g Interest expense ▶ 0 h Other ▶ Deductions allocated and apportioned at partnership level to foreign source income	16h	0
	i Passive ▶ 0 j Listed categories (attach statement) ▶ 0 k General limitation ▶	16k	0
	l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	16l	0
	m Reduction in taxes available for credit (attach statement)	16m	0
	n Other foreign tax information (attach statement)		
Alternative Minimum Tax (AMT) Items	17a Post-1986 depreciation adjustment	17a	296
	b Adjusted gain or loss	17b	0
	c Depletion (other than oil and gas)	17c	0
	d Oil, gas, and geothermal properties—gross income	17d	0
	e Oil, gas, and geothermal properties—deductions	17e	0
	f Other AMT items (attach statement)	17f	0
Other Information	18a Tax-exempt interest income	18a	0
	b Other tax-exempt income	18b	0
	c Nondeductible expenses	18c	819
	19a Distributions of cash and marketable securities	19a	
	b Distributions of other property	19b	0
	20a Investment income	20a	0
b Investment expenses	20b	0	
c Other items and amounts (attach statement)			

Analysis of Net Income (Loss)

1 Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l						1	-254,554
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners	0	0	0	0	0	0	
b Limited partners	-254,554	0	0	0	0	0	

Note: Schedules L, M-1, and M-2 are not required if Question 5 of Schedule B is answered "Yes."

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash			0		6,071
2a Trade notes and accounts receivable		0		0	
b Less allowance for bad debts		0	0	0	0
3 Inventories			0		0
4 U.S. government obligations			0		0
5 Tax-exempt securities			0		0
6 Other current assets (attach statement)			0		0
7 Mortgage and real estate loans			0		0
8 Other investments (attach statement)			0		0
9a Buildings and other depreciable assets		0		9,939	
b Less accumulated depreciation		0	0	1,183	8,756
10a Depletable assets		0		0	
b Less accumulated depletion		0	0	0	0
11 Land (net of any amortization)			0		0
12a Intangible assets (amortizable only)		0		0	
b Less accumulated amortization		0	0	0	0
13 Other assets (attach statement)			0		0
14 Total assets			0		14,827
Liabilities and Capital					
15 Accounts payable			0		0
16 Mortgages, notes, bonds payable in less than 1 year			0		0
17 Other current liabilities (attach statement)			0		0
18 All nonrecourse loans			0		0
19 Mortgages, notes, bonds payable in 1 year or more			0		0
20 Other liabilities (attach statement)			0		0
21 Partners' capital accounts			0		14,627
22 Total liabilities and capital			0		14,627

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

1 Net income (loss) per books	-255,373	6 Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):	0	a Tax-exempt interest \$	0
3 Guaranteed payments (other than health insurance)	0		0
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		7 Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):	
a Depreciation \$	0	a Depreciation \$	0
b Travel and entertainment \$	819		0
	0	8 Add lines 6 and 7	0
5 Add lines 1 through 4	-254,554	9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	-254,554

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year	0	6 Distributions: a Cash	0
2 Capital contributed: a Cash	270,000	b Property	0
b Property	0	7 Other decreases (itemize):	
3 Net income (loss) per books	-255,373		0
4 Other increases (itemize):		8 Add lines 6 and 7	0
	0	9 Balance at end of year. Subtract line 8 from line 5	14,627
5 Add lines 1 through 4	14,627		